REMARKS

Claim 29 is currently pending in the application. By this amendment, claim 29 is amended for the Examiner's consideration. The foregoing separate sheets marked as "Listing of Claims" shows all the claims in the application, with an indication of the current status of each.

In the specification, the paragraph beginning at page 4, line 2 has been amended to correct errors in grammar and syntax. No new matter has been added.

The Examiner has rejected claim 29 under 35 U.S.C. §101 35 U.S.C. §101 as directed to non-statutory subject matter because the claim describes a process not tied to a statutory class and can be a software program not embodied on a computer readable storage medium. It is believed that the foregoing amendment overcomes this ground of rejection by specifying a tie to a machine, i.e. to implementation by a computer.

The Examiner has rejected claim 29 under 35 U.S.C. §103(a) as being unpatentable over the thesis "The risks and effects of outsourcing on the information systems function and the firm" by Peak, in view of U.S. Patent Publication No. 2002/0069155 to Nafeh et al ("Nafeh"), and further in view of U.S. Patent Publication No. 2005/0108227 to Russell-Falla et al. ("Russell").

Outsourcing is a costly process for any company seeking to provide the services that are outsourced (page 2, lines 17-18). Consequently, it is desirable for an outsourcing provider to target these expensive efforts toward companies more likely to consummate a deal (page 2, lines 18-20). In the prior art, certain assumptions were made (page 2, line 26, to page 3, line 4) about the characteristics of companies most likely to outsource – for example, experiencing poor financial performance would be such a characteristic – and then metrics summarizing these characteristics were weighted and combined (page 3, lines 3-6), but without a rigorous effort to select

characteristics and choose weight factors which provide a verifiable correlation to actual results (page 3, lines 6-10).

The present invention overcomes this deficiency of the prior art by a process which provides the missing rigor in the selection of characteristics and choice of weight factors. This is accomplished as described in Figure 1.

The Peak reference cited by the Examiner is a doctoral thesis analyzing the risks associated with outsourcing of the information systems (IS) function. In particular, Peak examines "the empirical effects of IS outsourcing on the firm's market value and market risk" (synopsis, second full paragraph). Peak considers the effect upon the firm's stock price of the outsourcing announcement, and concludes that "risk residuals" computed from stock option prices show no effect for financially constrained companies, and while there is initially reduced risk for financially healthy companies the "risk residuals quickly rise to levels comparable to those of financially constrained firms" (synopsis, fourth full paragraph).

Nowhere does Peak consider the question at issue in the present invention, namely, how to identify firms that are more likely (rather than less likely) to go through with an outsourcing deal if one is proposed. From the outsourcing vendor's point of view – <u>and the view of vendors similarly situated and seeking to know whether they should spend the resources required to pursue an outsourcing deal with a particular "Candidate Example"</u> – the effort expended to close the deal was successful.

The Examiner has similarly misidentified "Negative Examples." Indeed, from the point of view of the claimed invention, the Examiner's "Negative Examples" are, in fact, "Positive Examples" because **<u>the outsourcing deal went through</u>**. What the firm's internal IS staff thinks about the outsourcing vendor <u>after the deal has been done</u> is irrelevant.

Because the Examiner's premise is incorrect, all the remaining citations to Peak are beside the point because they do not pertain to the invention. The analysis

done by Peak goes in a different direction entirely, to distinguish relative effects on "risk residuals" (as measured by stock option pricing) of the outsourcing announcement as between financially constrained firms and financially healthy firms. What the Examiner has not appreciated is that, from the viewpoint of the claimed invention, all of these firms are "Positive Examples" because they all outsourced there information systems function. For example, the Examiner's attempt to make a connection between the negative perceptions of internal IS staff and a "pre-disposition not to outsource" (page 4, second paragraph), in order to show a "Negative Example," misses the point entirely. This is a "Positive Example" because the outsourcing deal was, in fact, consummated. The metrics and analysis used in Peak are directed to the question of "residual risk", as measured by the price of stock options relative (in time) to the announcement of the outsourcing deal, and have nothing to do with the present invention.

It should be noted that the subject matter of Peak is the same as the subject matter of the preferred embodiment of the invention, namely, outsourcing of information systems functionality. It must be emphasized that the present invention is broader than the IS (or IT) outsourcing industry. The methodology of the invention can be applied to any function that is subject to outsourcing, simply by focusing the data gathering around known "Positive Examples" where outsourcing deals have, in fact, been consummated in the particular functional area of concern.

It should also be noted that the "Negative Examples" used in the preferred embodiment are constructed from "Positive Examples" but "at times well ahead of the time when the outsourcing deal was actually signed" (page 7, lines 22-26). As is obvious from Peak, the time frames for these "Negative Examples" are in advance of the time frames relevant to the analysis in Peak. This difference is on top of the above mentioned difference because of Peak's focus on "residual risk" by measuring the price of stock options with reference to the timing of the announcement of the outsourcing deal. This does not mean that the price of stock options might not have

some correlation to firms likely to actually close the outsourcing deal, but any such correlation would not be determined by the analysis used in Peak for a different purpose entirely.

The claim has been amended to more particularly define “Positive Examples” and “Negative Examples” in accordance with the usage of these terms in the specification. This should clarify the failure of the cited references to support a *prima facie* case for an obviousness rejection. Further, the claim has been amended to more precisely clarify that the methodology is directed toward the services that are to be outsourced.

In view of the foregoing, it is requested that the application be reconsidered, that claim 29 be allowed, and that the application be passed to issue.

Should the Examiner find the application to be other than in condition for allowance, the Examiner is requested to contact the undersigned at 703-787-9400 (fax: 703-787-7557; email: clyde@wcc-ip.com) to discuss any other changes deemed necessary in a telephonic or personal interview.

If an extension of time is required for this response to be considered as being timely filed, a conditional petition is hereby made for such extension of time. Please charge any deficiencies in fees and credit any overpayment of fees to Deposit Account 50-0510 (IBM-Yorktown).

Respectfully submitted,

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